

A vertical strip of five images on the left side of the slide: a desert landscape with mountains, a volcanic eruption with lava flowing, a storm with waves crashing, a field of tall golden grain, and a forest fire with smoke rising.

# CDBG-DR Policy Bulletin 2023-02: Interchangeability Provisions and Other Flexibilities Overview Webinar

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**CDBG-DR Fall 2023 Webinar Series**

# Presenters



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# Agenda

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- Review Statutory Authority and Applicability of Interchangeability
- Understand Key Requirements When Using Program Administrative Costs (PAC) Interchangeability and Grant Funds Interchangeability
- Reporting Outcomes in Disaster Recovery Grant Reporting (DRGR) System
- Question and Answers

A vertical strip on the left side of the slide shows a desert landscape. A paved road with a yellow dashed center line and white edge lines stretches from the bottom towards the horizon. The surrounding terrain is arid with sparse, low-lying vegetation. In the background, a range of rugged, brown mountains is visible under a clear sky.

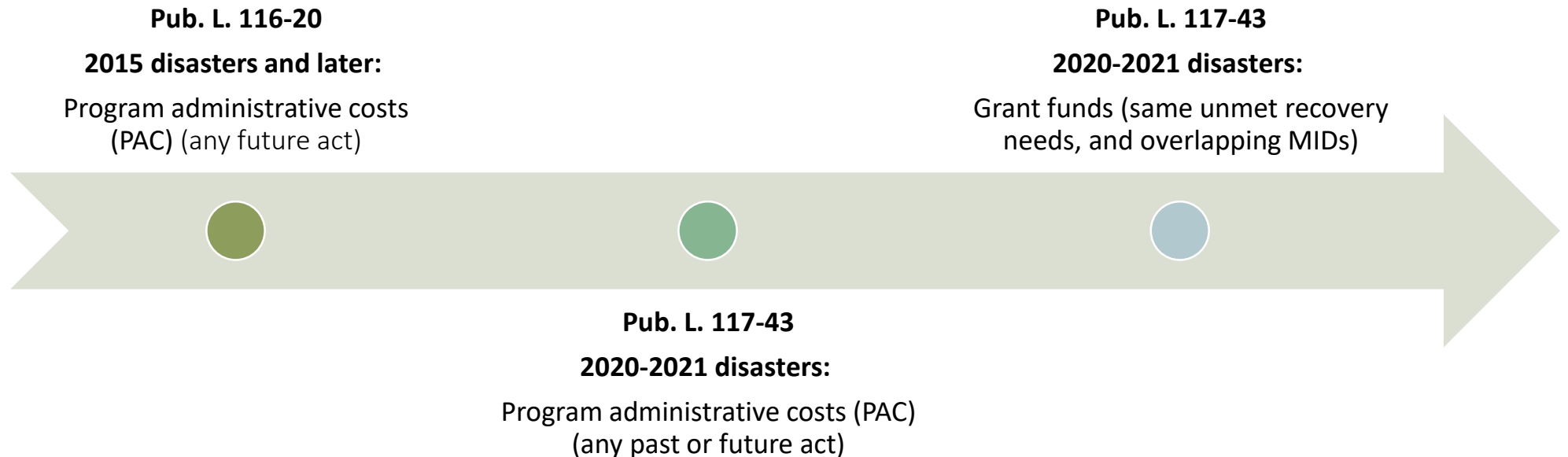
# Statutory Authority & Applicability

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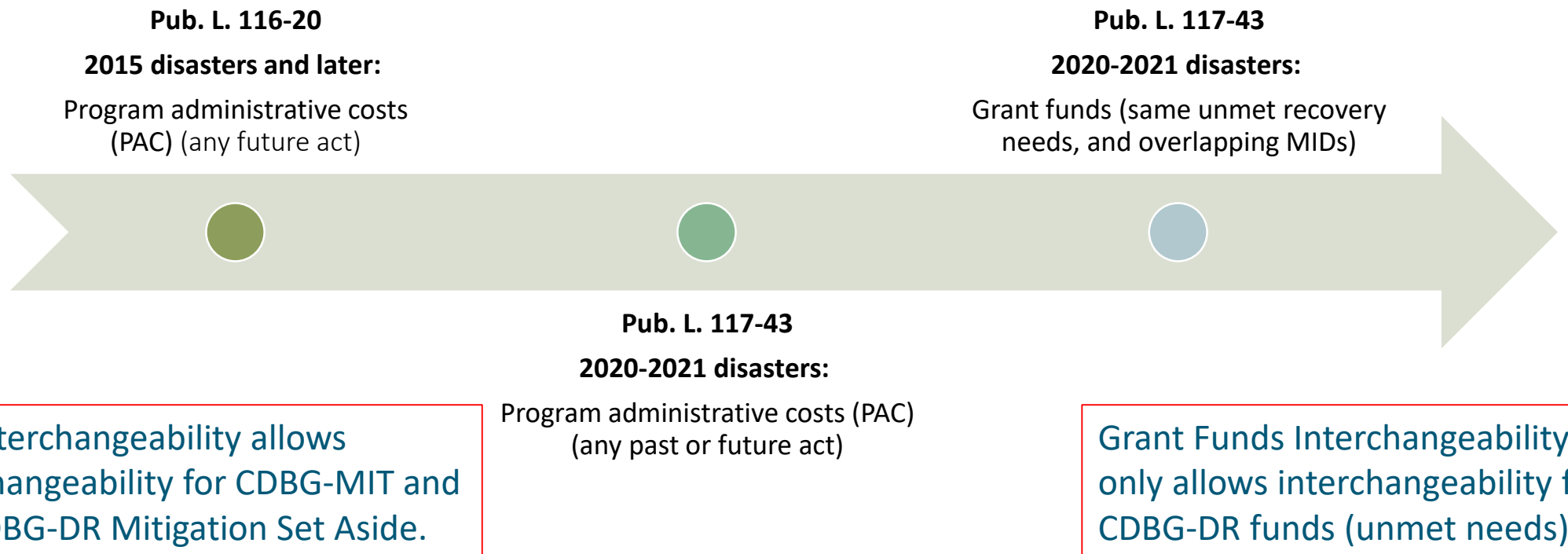
# Understanding Statutory Authority

- There are different provisions allowing interchangeability across multiple grants for disasters occurring in 2015 or later.



# Understanding Statutory Authority

- There are different provisions allowing interchangeability across multiple grants for disasters occurring in 2015 or later.





# Terminology

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- **PAC Interchangeability:** The authority to use CDBG-DR and CDBG-MIT funds interchangeably for administrative costs under Pub. L. 116-20 and 117-43.
- **Grant Funds Interchangeability:** The authority to use grant funds interchangeably, as long as the MID areas overlap and the activities address the unmet needs of both disasters under Pub. L. 117-43 (e.g., planning costs, Activity Delivery Costs, activity costs, etc.)

*Note: Grantees are encouraged to review [CPD Notice 23-06](#), which provides guidance and definitions for the allocation of costs.*

# When Does Interchangeability Become Available?

A grantee cannot use CDBG-DR funds interchangeably until there are funds appropriated and allocated to the grantee for a qualifying disaster (i.e., published in a Federal Register notice).

Interchangeability Type	Availability of the Provision
PAC Interchangeability:	<ul style="list-style-type: none"><li>• New Grant – Execute a grant agreement</li><li>• Prior Grant - Once a Federal Register Notice is published for the new grant.</li></ul>
Grant Funds Interchangeability:	<ul style="list-style-type: none"><li>• New Grant - Once an action plan is approved.</li><li>• Prior Grant – Once a substantial amendment is approved.</li></ul>

*Note: Requirements depend on the Appropriations Acts.*





# Example of When Interchangeability Becomes Available

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- An existing grantee has a CDBG-DR grant for a 2018 disaster.
- HUD announces the allocation of CDBG-DR funds for a 2022 disaster to the grantee in an Allocation Announcement Notice published in the Federal Register.
  - **PAC Interchangeability:** Once the new notice is published, the grantee can begin using its 2018 CDBG-DR funds for eligible program administrative costs to launch its new 2022 disaster grant.
  - **Grant Funds Interchangeability:** The grantee must amend its 2018 CDBG-DR action plan to expand its beneficiaries to include the same activities in overlapping MID areas.



# Example of When Interchangeability Becomes Available Continued

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- An existing grantee has a CDBG-DR grant for a 2018 disaster.
- HUD announces the allocation of CDBG-DR funds for a 2022 disaster to the grantee in an Allocation Announcement Notice published in the Federal Register.
  - **PAC Interchangeability:** The grantee must execute a grant agreement for its 2022 CDBG-DR funds before it can use those funds for eligible program administrative costs for its 2018 CDBG-DR grant.
  - **Grant Funds Interchangeability:** The grantee must have an approved action plan and executed grant agreement to use its 2022 CDBG-DR grant to address unmet needs related to the 2018 disaster.



# The Rules Follow the Money

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- All waivers and alternative requirements associated with a CDBG-DR grant apply to the use of the funds provided by that grant, regardless of which disaster the funded activity will address (i.e., the rules follow the money).
  - Grantees may request additional waivers and alternative requirements to address a disaster's specific needs.
  - Requesting waivers that create consistency between grants may be especially helpful for a grantee using Grant Funds Interchangeability.
  - All grantees should work with the assigned CPD representative or Grant Manager.



# Program Administrative Cost (PAC) Interchangeability

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# Authority to Use Grant Funds to Cover PACs Interchangeably



## PAC Interchangeability Authority

Comes from  
appropriations  
laws

Began with  
allocations for  
2015 disasters

May include  
future or future  
*and* prior  
appropriations

Need to refer to appropriations laws to confirm **type** of authority provided

# Authority to Use Grant Funds to Cover PACs Interchangeably



## Summary of Differences in PAC Interchangeability Authority

Disaster Year	Use of PAC Interchangeability	Public Law Reference
Prior 2015	N/A	Refer to individual public laws for each allocation
2015-2019	CDBG-DR or CDBG-MIT grants for 2015, 2016, 2017, 2018, 2019, and <u>future</u> CDBG-DR grant that may be received	Pub. L. 114-113, 114-223, 114-254, 115-31, 115-56, 115-123, 115-254, 116-20
2020-2022	For any CDBG-DR or CDBG-MIT grant, including <u>prior</u> to 2015 grants and any <u>future</u> CDBG-DR grant that may be received	Pub. L. 117-43, 117-180, 117-328

# Financial Management



## General PAC Interchangeability Considerations

5% *cap* on  
admin costs  
applies (incl. on  
*Program  
Income*  
received)



*Cost*  
*reasonableness*  
standards at 2  
*CFR Part 200*  
apply



Does *not*  
interfere with  
option to incur  
eligible *pre-  
award costs*



# Financial Management



## Action Items for Grantees

- ☒ Update **financial management policies and procedures**, as needed
- ☒ Establish process for tracking **administrative spending** for each grant
- ☒ Revise **Financial Management and Compliance submissions** for HUD certification
- ☒ Ensure appropriate **financial controls** are in place
- ☒ Conduct regular **quality assurance reviews**
- ☒ Revise **Implementation Plan**





# Examples Using PAC Interchangeability

A grantee receives CDBG-DR funds for disasters that occurred in 2017 and 2020, *the grantee may use PAC Interchangeability to:*

## Expedite recovery after 2020 disaster

- Use 2017 admin funds to **write 2020 AP**
- Use 2017 admin funds to **manage 2020 grant** (e.g., maintain records in DRGR; conduct marketing/outreach for 2020 AP; etc.)

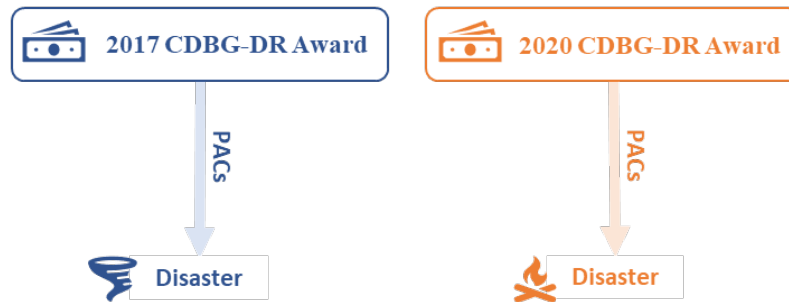
## Close out 2017 disaster grant

- Use 2020 admin funds to **close out** 2017 disaster grant (useful if 2017 grant is nearing 5% admin cap)

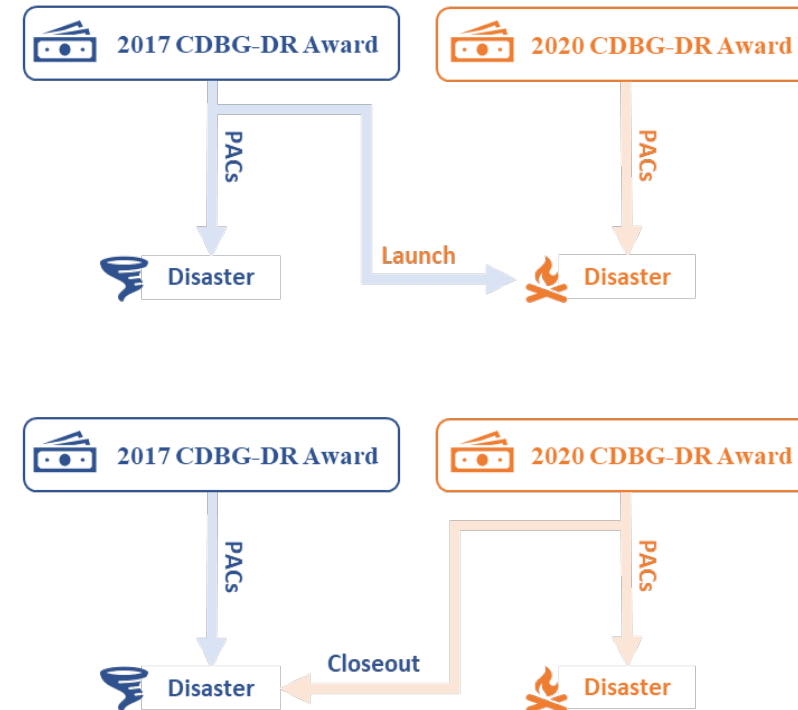
# Example Using PAC Interchangeability



Traditional Use of PACs



Use of PAC Interchangeability



A vertical strip on the left side of the slide shows a powerful volcanic eruption. Bright orange and yellow lava is being ejected from a dark, rocky vent, creating a dramatic plume of fire and smoke against a dark sky.

# Grant Funds Interchangeability

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# Requirements for Grant Funds Interchangeability



- Grant Funds Interchangeability may be used to cover non-administrative costs (Activity Delivery Costs (ADCs), planning costs, activity costs, etc.) when:



The grant has the **authority** to use Grant Funds Interchangeability



The **most impacted and distressed areas** overlap

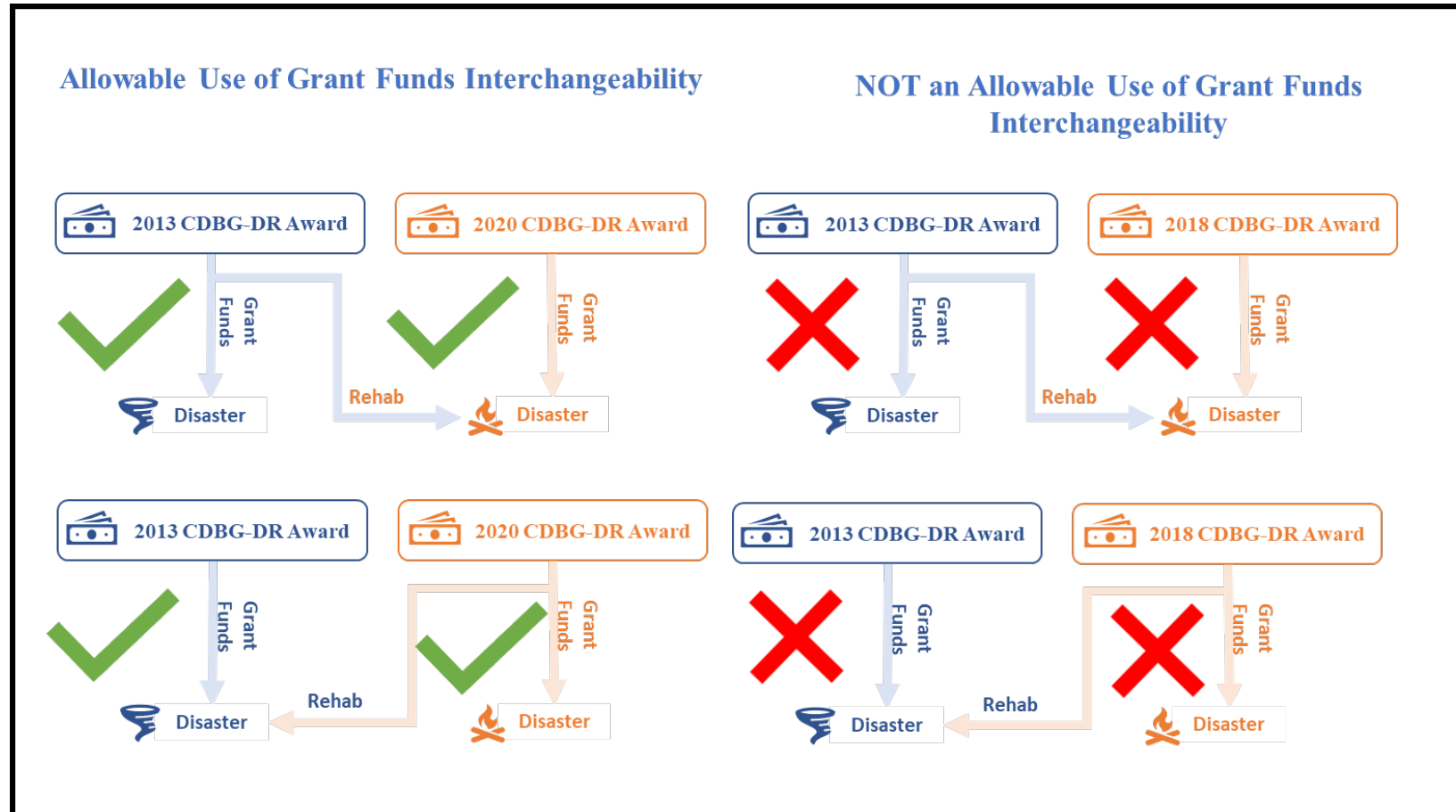


The recovery activities are the **same** (i.e., eligible CDBG-DR activity)



The activities address **unmet recovery needs** of both disasters

# Authority to Use Grant Funds Interchangeability





# Unmet Recovery Needs

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- Grantees may use Grant Funds Interchangeability when grants have overlapping MID areas and the activity will address unmet recovery needs of both major disasters at the highest reasonable level (i.e., the action plan level - not unmet needs of individual beneficiaries).
- Grantees must demonstrate that each activity is connected to the specific recovery need for which the funds were appropriated (i.e., “tie-back”), but not that each activity is connected to the same specific recovery need of both disasters.
- As unmet recovery needs are generally developed at the MID-area, “tie back” is generally developed at the activity-level.

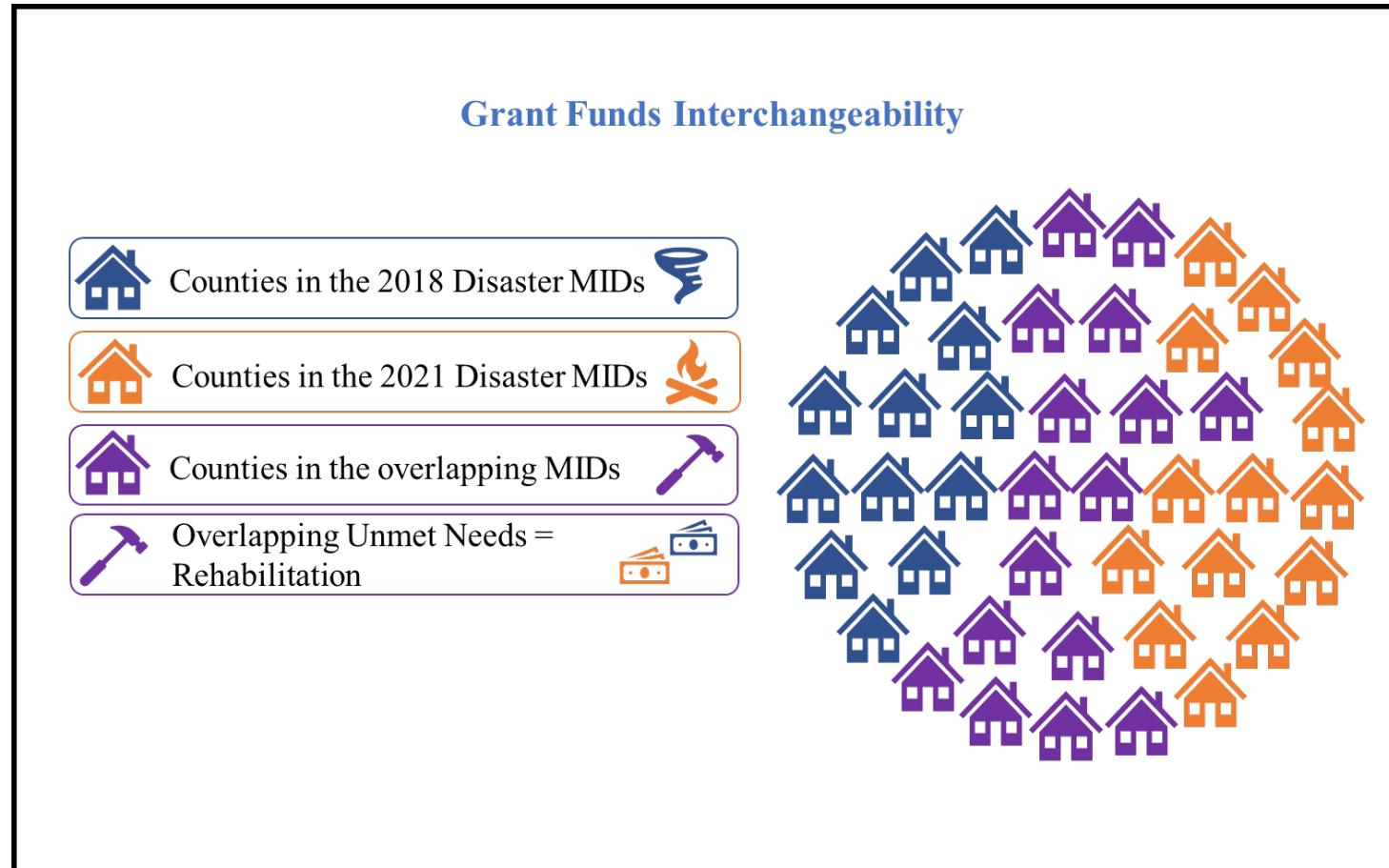
# Key Takeaways for Using Grant Funds Interchangeability

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To successfully adopt Grant Funds Interchangeability, grantees are encouraged to:

1. Develop and update policies and procedures.
2. Identify recovery needs of both disasters.
3. Update each action plan.
4. Limit the use of interchangeability to the overlapping MID areas.
5. Track outcomes separately in DRGR.
6. Train staff, subrecipients, or other partners that administer the funds to understand which set up rules apply (e.g., the “rules follow the money”).

# Example Using Grant Funds Interchangeability



A photograph of a volcanic eruption at night. A large, bright orange and yellow plume of fire and ash rises from a dark, silty volcano. The foreground shows the dark, rocky slopes of the volcano. The sky is dark blue with some lighter clouds. The right side of the image is a solid light blue background.

# Case Study Example

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# Grant Funds Interchangeability – Case Study

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The grantee had two major disasters within a couple of years (2016 and 2020). Most of the areas impacted by the first disaster were also impacted by the second disaster. To create consistency and expedite recovery, the grantee decided to expand its homeowner repair program to cover individuals impacted by both disasters.

Eligible activities in its homeowner repair program include:

- Rehabilitation
- Reconstruction
- Reimbursement
- Temporary relocation assistance



# Planning for Interchangeability – Case Study

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Before the grantee could use its funds interchangeably, it needed to:

1. Verify which of the MID areas overlapped in both disasters
2. Amend the existing action plan for the 2016 disaster to include 2020 unmet needs
3. Include the 2016 disaster unmet needs that are not already identified in the new action plan for 2020
4. Update program policies and procedures and record keeping practices to account for interchangeability of funds
5. Update program documents (e.g., application forms, website material, program guides)
6. Understand which requirements would apply – Rules follow the money!

*Tip: Start with 1-2 programs before implementing across multiple programs*

# Example Application Form

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*The grantee's eligibility criteria for the Homeowner Recovery Program includes the following:*

- *Your home must have been damaged as a direct result of **2016 Disaster and/or 2020 Disaster**.*
- *The property is someone's primary residence **at the time of the disaster (Date of 2016 Disaster, and/or Date of 2020 disaster)** or the time of application.*
- *Your total household income must be at or below 80 percent of the Area Median Income (AMI) limit.*
- *The damaged home must be in an eligible disaster-declared county.*

# Benefits for Disaster Survivors – Case Study

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## Outcomes:

- A seamless application process for disaster-impacted survivors
- Disaster survivors qualified for CDBG-DR assistance based on tie-back from either one of the disasters
- The CDBG-DR grantee could draw down funds from either grant for counties located in an overlapping MID because the criteria for Grant Funds Interchangeability was met\*

\*This assumes that the grantee has identified any differences in the rules of each appropriation and the activity meets the requirements of both grants (e.g., 2020 funding requires mitigation measures be incorporated into rehab activities, but the 2016 funding does not. To address this, the grantee must ensure that mitigation measures are always included to meet the stricter grant requirement).



# Disaster Recovery Grant Reporting (DRGR) System & Interchangeability

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# Considerations for Grant Funds Interchangeability in DRGR

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- To use Grant Funds Interchangeability:
  - Grantees must ensure the Public Action Plans (or "published" action plans) and DRGR Action Plans (Projects and Activities) are updated and approved
  - The funds must be used for the same DRGR activity types (i.e., CDBG-DR eligible activity) in the overlapping portions of the MID areas of the disasters
  - Grantees should document how the activity meets the requirements for addressing unmet recovery needs of both disasters in its Public Action Plan and DRGR Action Plan.



# Projecting and Reporting Performance Measures – Housing Example

- A CDBG-DR grantee has grants for a disaster occurring in 2013 and 2021.
- The grantee is implementing the same housing program in overlapping MID areas under both grants. The grantee intends to serve a **total of 500 households** under its housing rehabilitation programs for both disasters.
- The National Objective is LMI – Households (LMH) and the Activity Type is “Rehabilitation/reconstruction of residential structures” under the grantee’s DRGR Action Plans (Projects and Activities) for the 2013 and 2021 disaster grants.

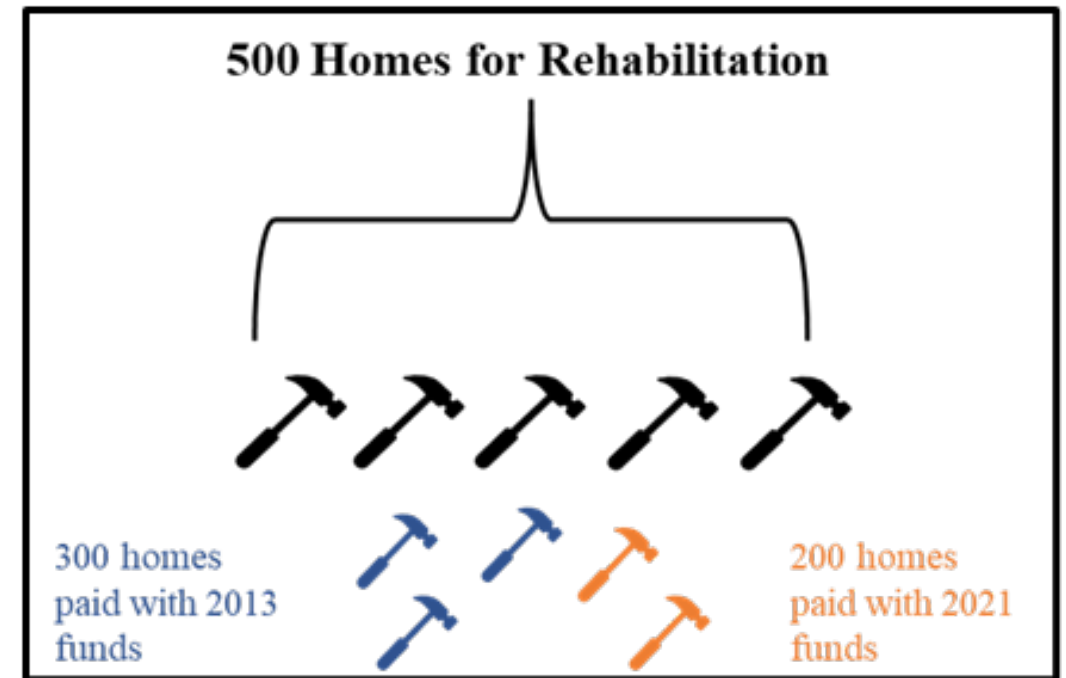
# Projecting and Reporting Performance Measures – Housing Example Continued

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- The grantee will use its 2013 disaster grant to rehab or reconstruct 300 units and will use its 2021 disaster grant to rehabilitate or reconstruct 200 units in the same MID areas.
- How should the grantee report these units in DRGR?

# Projecting and Reporting Performance Measures – Housing Example Continued

- The grantee would not report all 500 units in each grant
- Instead, reporting “follows the money” for each grant
- The grantee should only count the units that were funded with that grant.
- This prevents double counting units.





# Questions and Answers

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# Thank you!

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